

2012 Business Plan And Budget Presentation To Regional Council

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2012 Business Plan & Budget

1. 2012 Budget Overview
2. What's New for 2012
3. Capital Budget and Debt
4. Multi-Year Fiscal Planning
5. Budget Review and Approval

2012 Budget Overview

The 2012 Budget At a Glance

2012 Operating Budget	\$ Millions
Total Operating	1,615
Non-Tax Revenue	790
Net Operating	825
Proposed Tax Levy Increase	1.8%

Capital Budget	\$ Millions
2012 Capital Budget	1,177
Ten-Year Plan	8,245
Total Project Budget Authority	3,405

Proposed tax levy increase of 1.8%

From the Credit Rating Agencies

The Regional Municipality of York's Aaa debt rating reflects high reserve levels, prudent and far-sighted fiscal management and positive operating outcomes.

Moody's Investor Service, October , 2011

York has a highly diversified, dynamic economy that is well integrated within the broader economy of the Greater Toronto Area...The Region had what we consider to be strong liquidity...Although the Region continues to face significant cost pressures, we think the adherence to internal policies governing capital reserves should provide support to its liquidity in the medium term.

Standard and Poor's, May 2011

Budget Supports Implementation Of The Strategic Plan

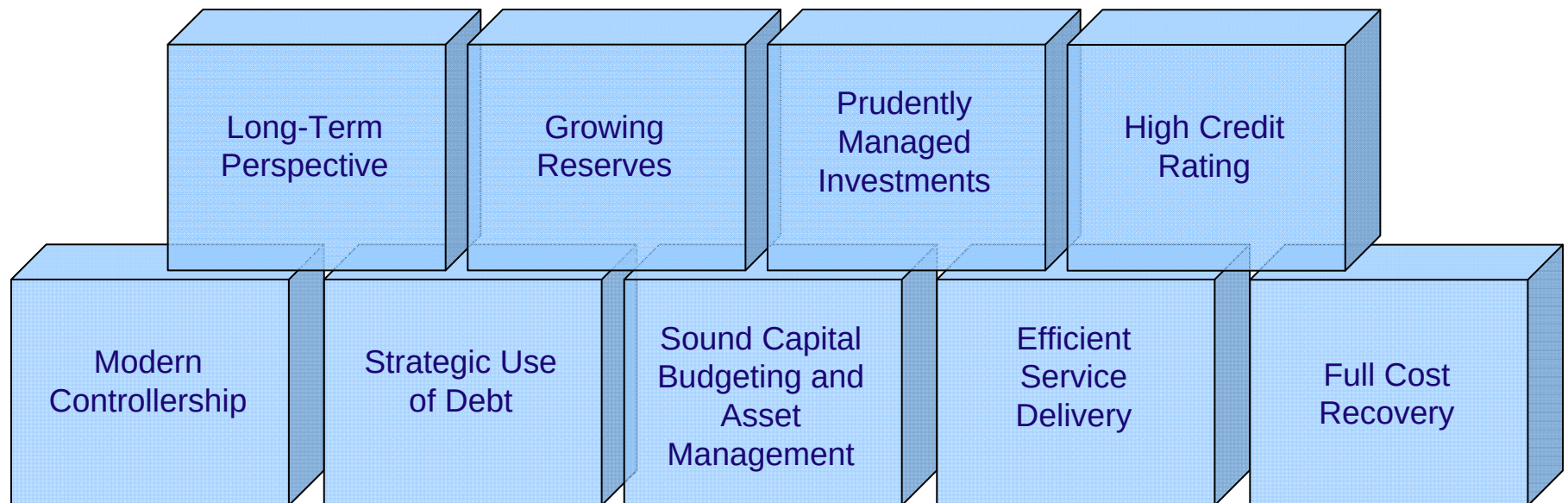
The 2011-2015 Strategic Plan:

- ❑ Sets a deliberate course of action for this term of Council
- ❑ Aligns the organization to the priorities of Council
- ❑ Maps long-range planning with present day issues
- ❑ Guides the Business Planning and Budget process

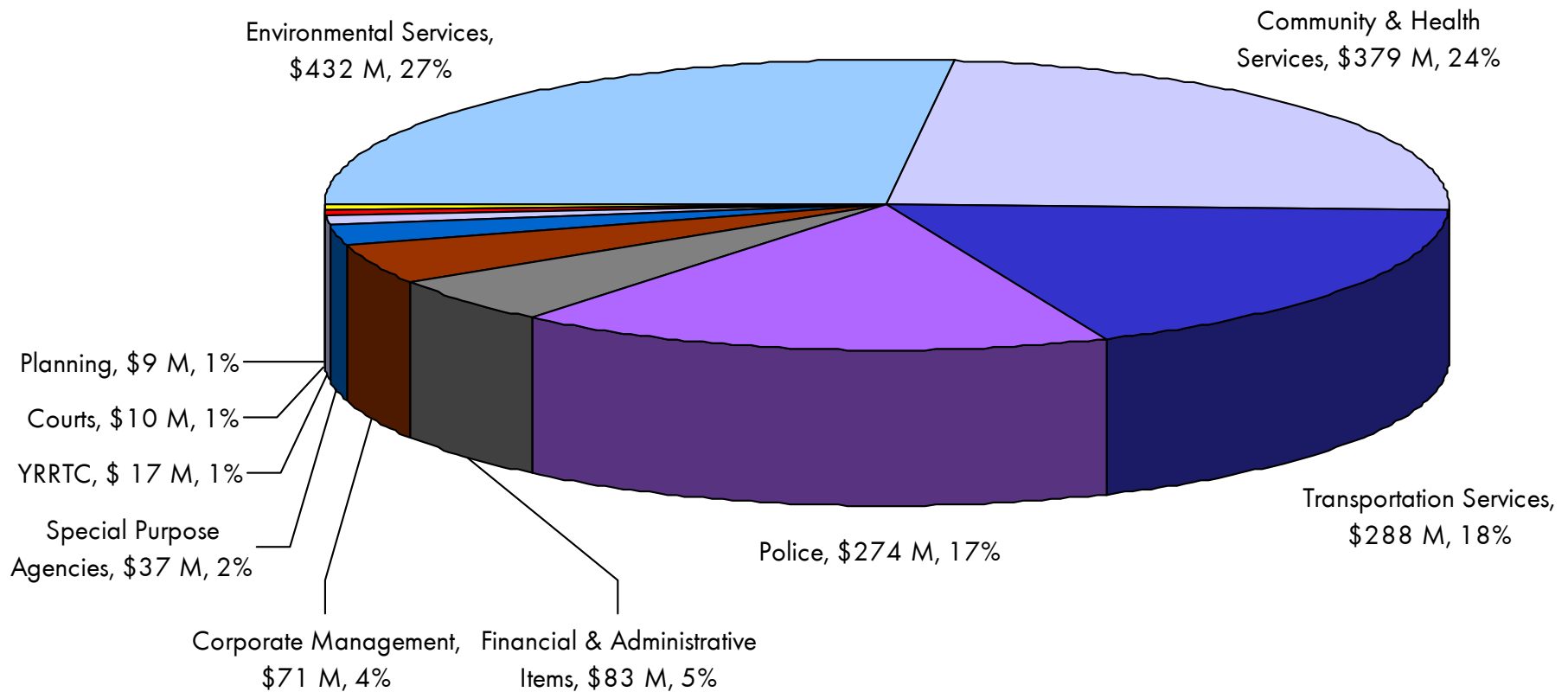


The budget is the mechanism through which financial resources are applied to achieve Council's policy priorities

Building Blocks Of Good Financial Stewardship

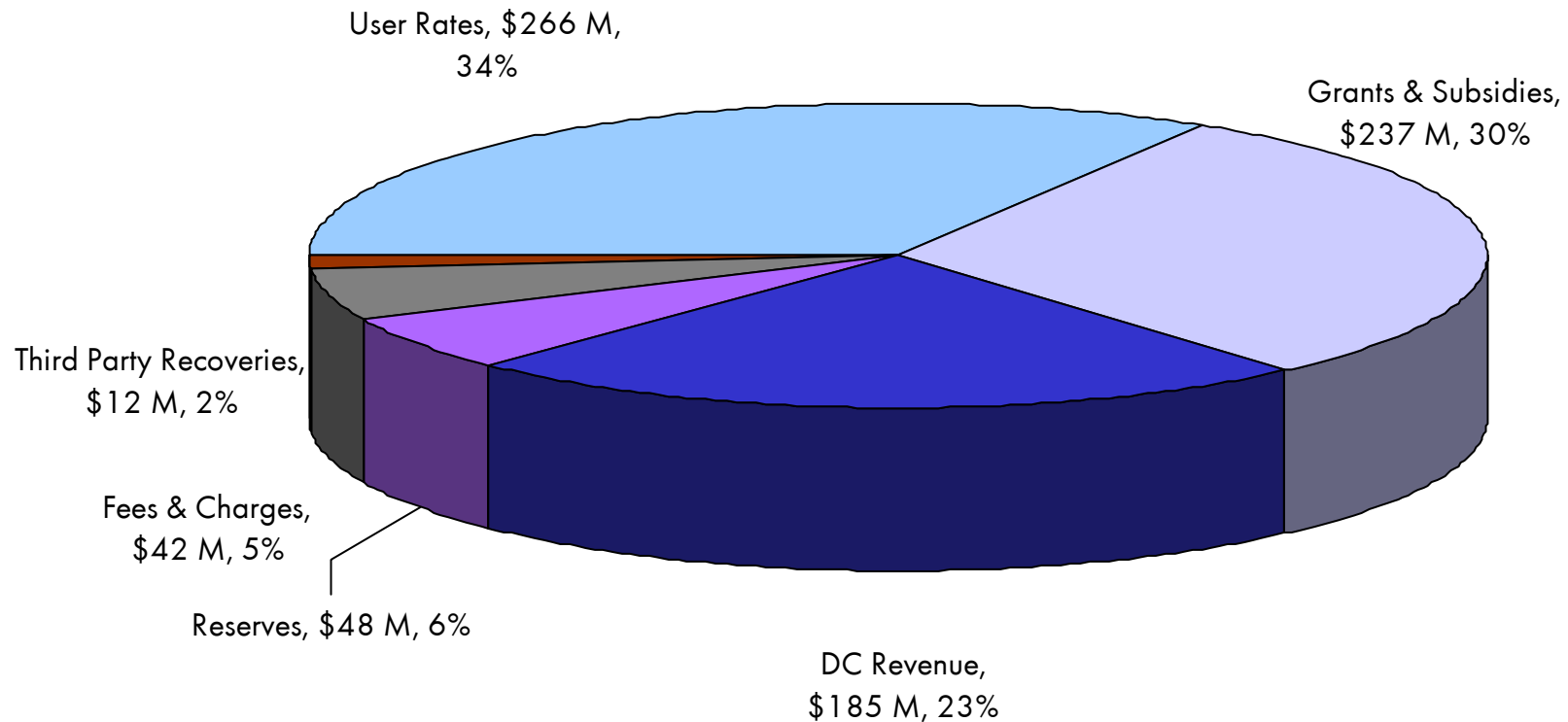


Proposed 2012 Gross Operating Expenditure Is \$1.6 Billion



Environmental Services, Community & Health Services, Transportation and Police account for over 85% of spending

Non-Tax Revenue Has A Big Impact On The Bottom Line



Non-Tax revenue supports 48% of the Region's gross expenditures

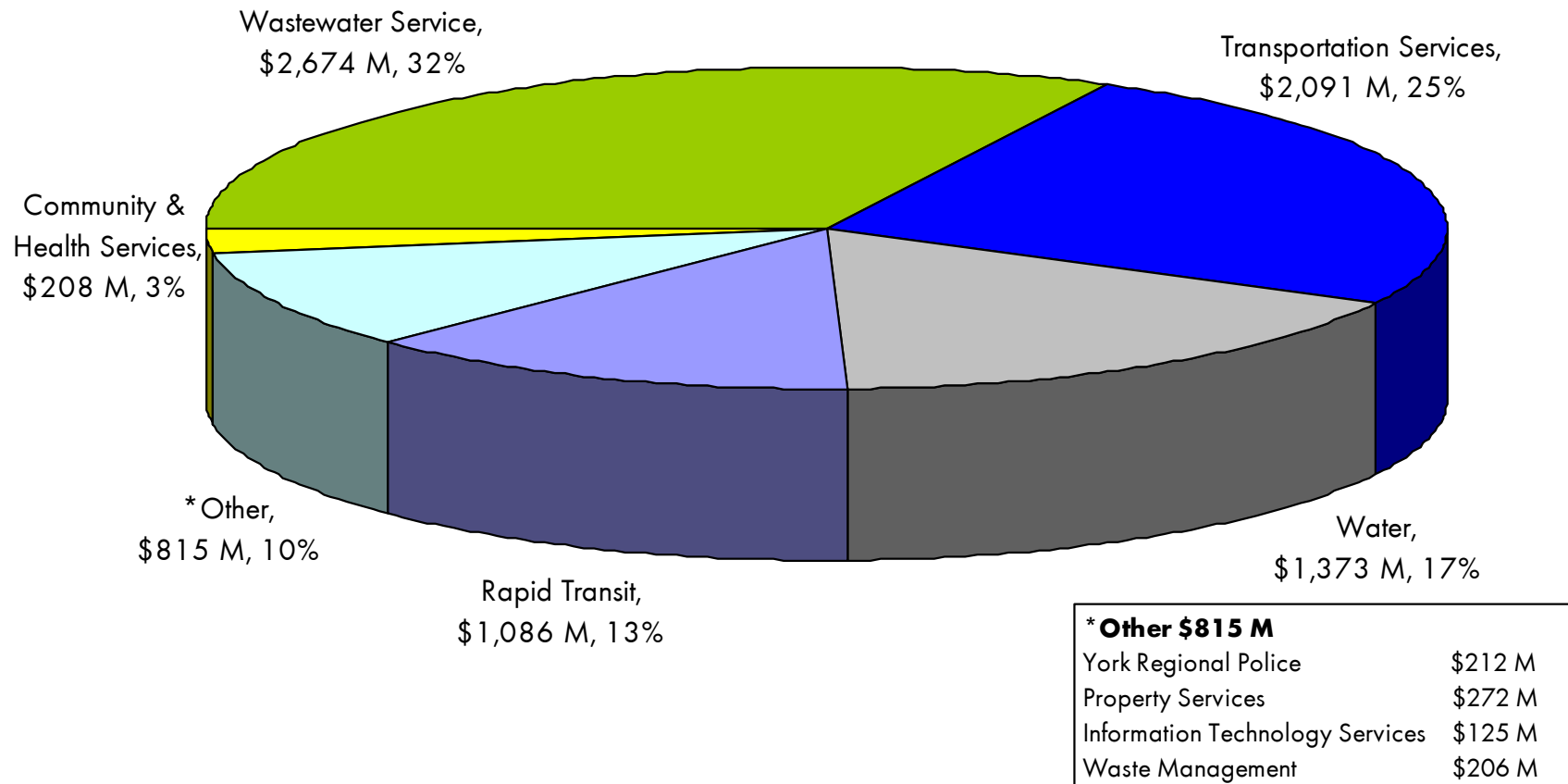
Proposed Tax Levy Increase Of 1.8%

- ❑ The additional net tax levy requirement in 2012 is \$35.7 million
- ❑ After assessment growth of 2.7%, this results in a 1.8% proposed tax levy increase
- ❑ The proposed net tax levy increase is below the rate of inflation and substantially below the combined rate of inflation and population growth

Consumer Price Index Sept 2011	3.4%
Consumer Price Index 2012 Forecast	2.0%
2012 York Region Population Growth Forecast	2.3%
2012 Proposed Tax Levy Increase	1.8%

Proposed tax levy increase is tracking below the rate of inflation

2012 Ten Year Gross Capital Expenditures Total \$8.2 Billion



Approximately 88% of the capital plan consists of investments in Water, Wastewater and Transportation.

What's New for 2012

Operating Budget Framework

Step 5 - ENHANCEMENTS

New services or enhanced service levels

Step 4 - GROWTH

Costs required to maintain existing levels of service for the Region's increased population

Step 3 - ANNUALIZATION

Additional costs of prior year commitments for full-year implementation

Step 2 - MANDATORY / LEGISLATIVE

Non-discretionary costs imposed by others

Step 1 - BASE

Costs required to maintain existing service levels (salaries & benefits, inflation, utilities and contracted services)

Less: Reduction/Efficiencies /Other Savings

Operating Drivers - Base

- ❑ Inflationary and cost of living pressures
- ❑ OMERS premium increases
- ❑ Transit contractor rate increase
- ❑ Increased transit fare revenues from increasing ridership and fare increase
- ❑ Contribution to IT development reserve
- ❑ Fuel price contingency of 10 cents/litre
- ❑ EMS casual labour due to changing workforce demographics
- ❑ Police wages and operating expenses

Net Impact \$30.0 M 3.8%
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Operating Drivers – Mandatory

- ❑ GTA Pooling upload
- ❑ Increased Provincial funding and uploading in Employment & Financial Support
- ❑ Increased Provincial Land Ambulance funding
- ❑ Waste Management additional revenue from electronics
- ❑ Traffic Management System Presto project staffing
- ❑ Transit AODA implementation
- ❑ Social Assistance caseload growth and rate increase (funded by reserve and Provincial upload)
- ❑ MPAC

Net Impact \$(18.2) M (2.3)%

Operating Drivers – Annualization

- ❑ Reduction in repayment of debt associated with capital projects
- ❑ Continued contribution to capital asset replacement
- ❑ Full year cost of new Police staff hired in 2011
- ❑ Maintenance of an additional 16.8 km of Regional roads
- ❑ Operating impact of new signalized intersections

Net Impact \$3.8 M 0.5%
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Operating Drivers – Growth

- ❑ Growth of YRT/Viva system
- ❑ Roads maintenance, fleet and asset management
- ❑ Waste Management increased tonnage
- ❑ Management of forestry invasive species infestations
- ❑ EMS – 10 paramedics, 2 logistics technicians
- ❑ Police – 34 uniform, 12 civilian staff
- ❑ Corporate Management staffing to respond to Regional growth
- ❑ Court Services increase in volume of charges

Net Impact \$9.7 M 1.2%
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Operating Drivers – Enhancements

- ❑ Contribution to fiscal stabilization reserve
- ❑ Contribution to non-profit housing capital repair reserve
- ❑ Waste Management contribution to Solid Waste Reserve
- ❑ Enhanced level of child care subsidy
- ❑ EMS staffing for rapid response unit and return to work coordinator
- ❑ Pre-emptive anti-icing application to road surfaces prior to winter precipitation
- ❑ Enhanced CDIF annual and renewable funding
- ❑ Bridge funding for emergency shelter programs
- ❑ Transit fare subsidy program (funded from reserves)

Net Impact \$10.4 M 1.3%

Proposed 2011 Net Tax Levy Increase – 1.8%

	\$ Millions	% Tax Change
Enhancements	2.3	0.3
Growth	9.7	1.2
Annualization	3.8	0.5
Mandatory/Legislative	(5.0)	(0.6)
Base/Reductions/Efficiencies/ Cost Savings	30.0	3.8
Net Operating Budget	40.8	5.2
Assessment Growth	(21.3)	(2.7)
GTA Pooling	(13.2)	(1.7)
Contribution to Fiscal Stabilization Reserve 	8.1	1.0
Net Tax Levy	\$14.4	1.8%

The proposed 2012 Net Tax Levy increase is 1.8%, well below the current rate of inflation and population growth

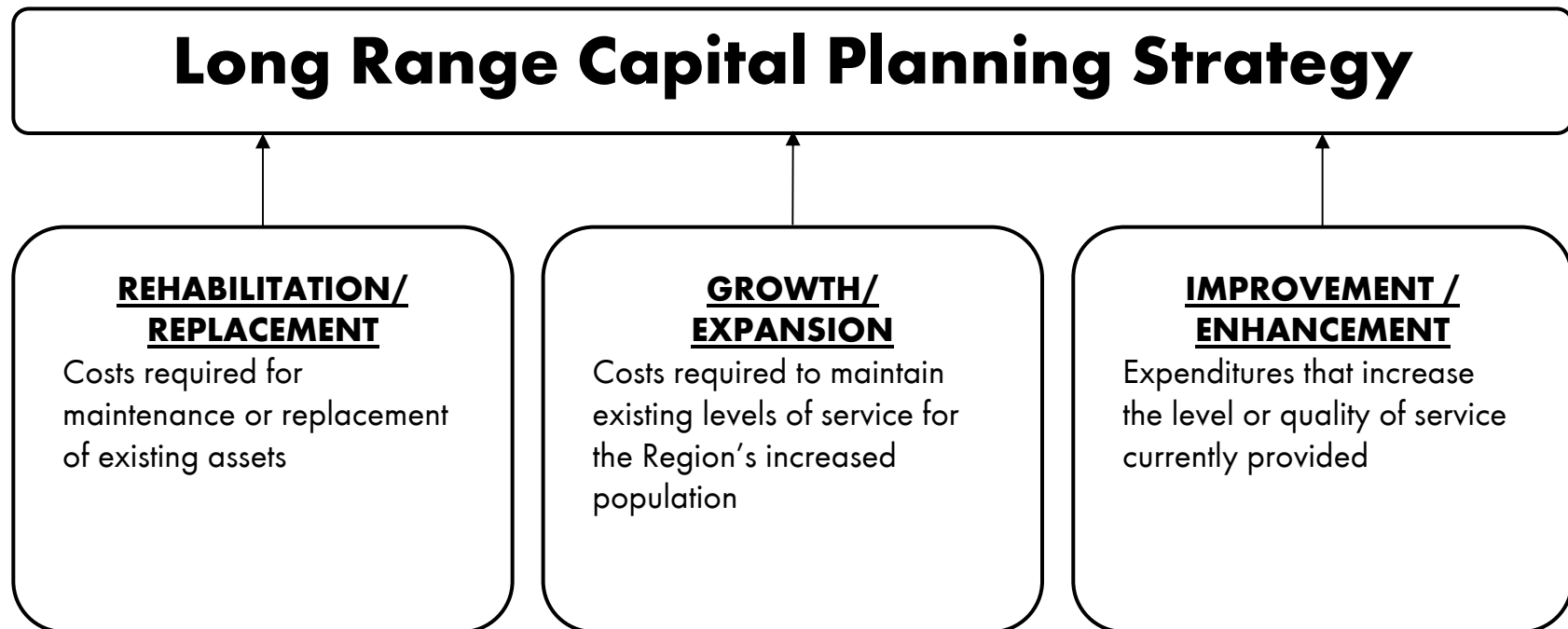
Risks In The Budget

There are certain key assumptions embedded in the 2012 Budget:

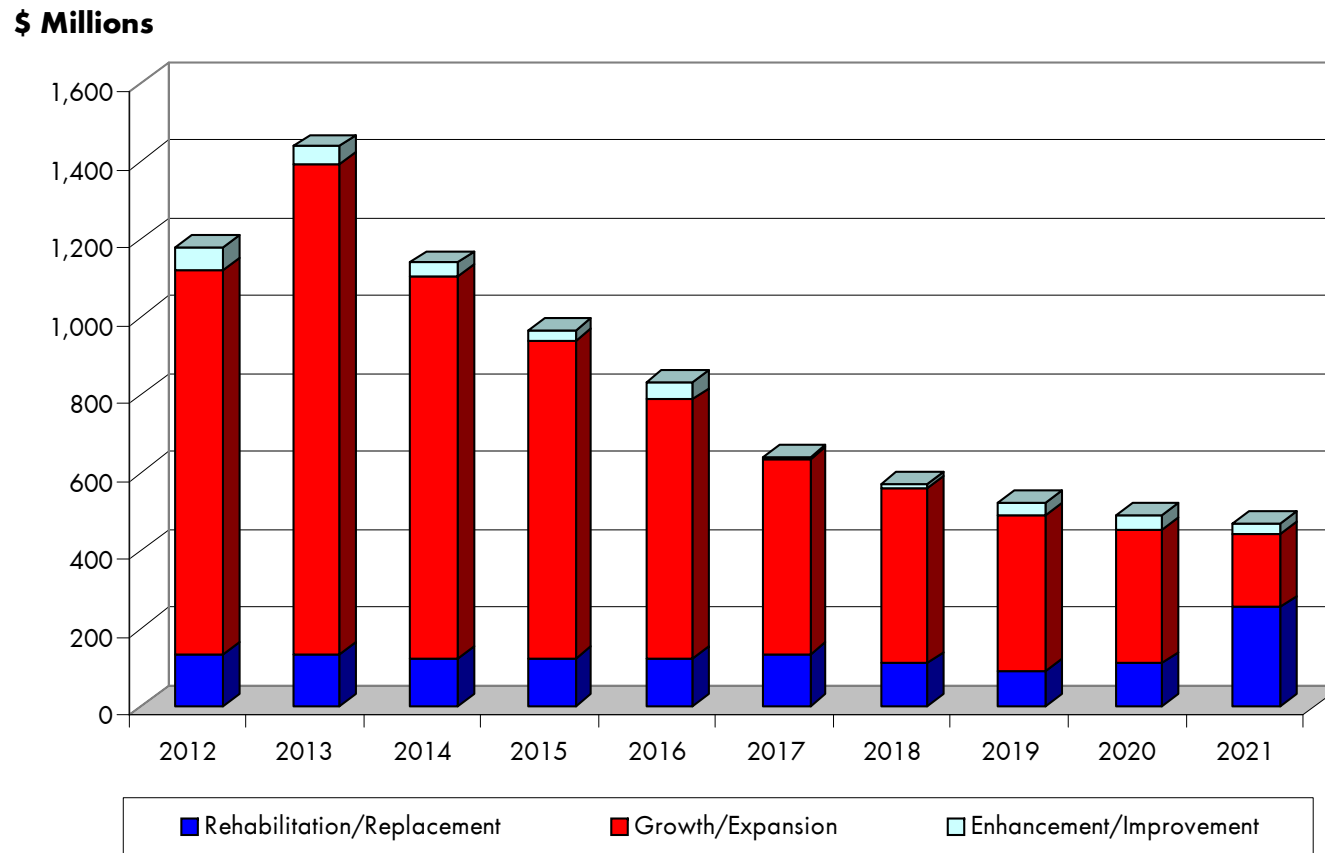
- ❑ Transit ridership – 11.2% increase in 2012 (up from 4.3% in 2011)
- ❑ Water and wastewater flows – 1.5% increase respectively
- ❑ Solid Waste tonnages – 3.8% increase
- ❑ Social assistance caseload – 1.9% increase (down from 8.4% in 2010, 3.1% for 2011)
- ❑ Fuel prices – \$1.10 per litre (up from \$1.00 in 2011)
- ❑ Blue box market revenue unchanged from \$90/mt in 2011 budget
- ❑ Mitigation of VivaNext construction up to \$4.5 M for 2012

2012-2021 Capital Budget

2012 Ten Year Capital Plan



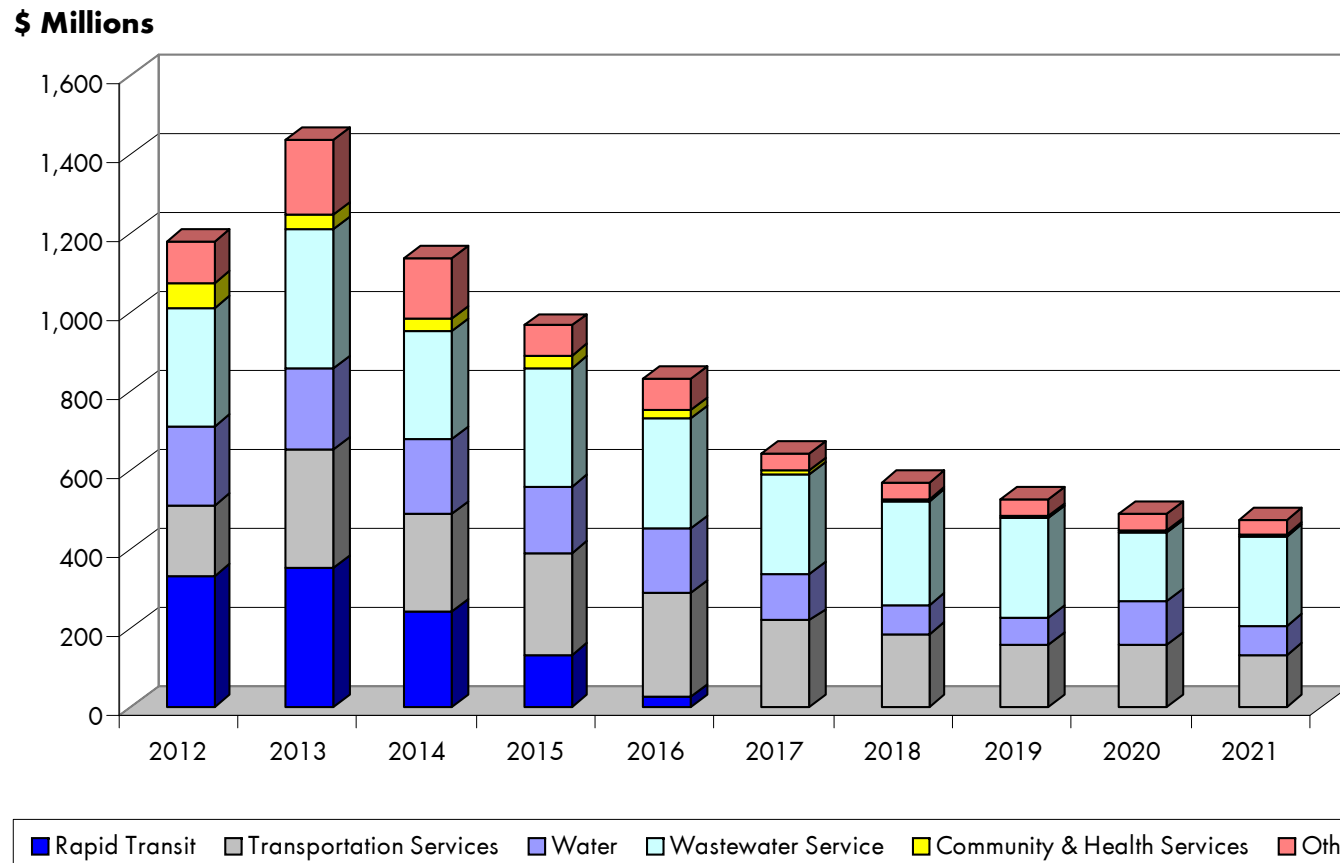
2012 Ten Year Gross Capital Expenditures Total \$8.2 Billion



Most infrastructure investment is to support growth

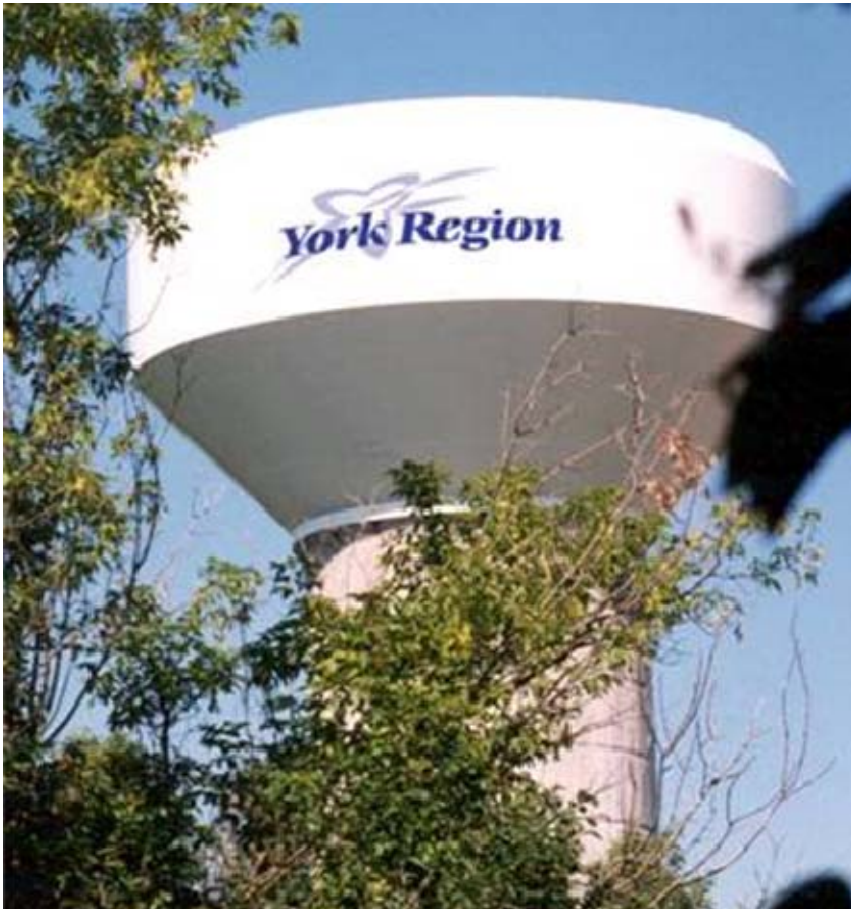
2012 Ten Year Capital Plan by Service Area

\$8.2 Billion



67% of Capital Plan expenditures occur in the first five years

Water, Wastewater And Transit Drive The Capital Plan



Water & Wastewater

- ❑ Water/Wastewater cost-shared program – Peel and Toronto \$686 M
- ❑ Upper York Sewage Solutions \$494 M
- ❑ York Durham Sewage System Southeast Collector \$366 M
- ❑ Duffin Creek Water Pollution Control Plant
 - ❑ Stages 1 & 2 upgrade and refurbishment \$261 M
 - ❑ Stage 3 Upgrade \$198 M
 - ❑ Outfall/effluent Strategy \$145 M
- ❑ Primary Trunk Construction \$188 M
- ❑ West Vaughan Sewage servicing \$158 M

Water, Wastewater And Transit Drive The Capital Plan (cont'd)

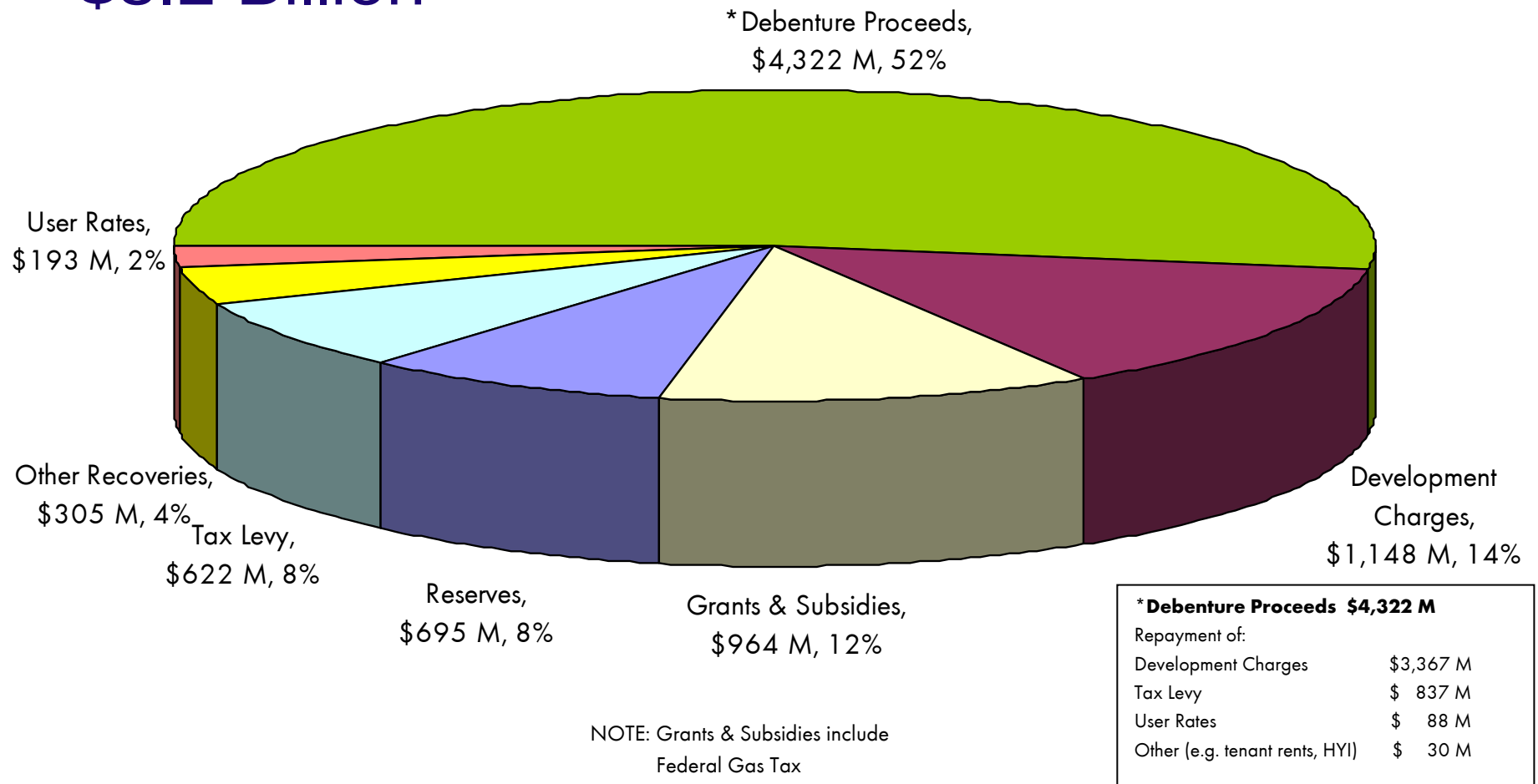
Transportation

- ❑ Spadina Subway Extension \$815 M
- ❑ New & replacement buses \$207 M
 - ❑ 249 conventional buses
 - ❑ 41 Viva Buses
 - ❑ 48 Mobility Plus buses
- ❑ Construction of North and Southeast transit garages \$127 M
- ❑ Roads resurfacing projects \$127 M
- ❑ Construction of snow management facility \$40 M
- ❑ Property acquisition and construction of Southeast patrol yard \$34 M



Capital Financing Reliant On Debt And DCs

\$8.2 Billion



New Annual Repayment Limit Regulation Enacted For York Region

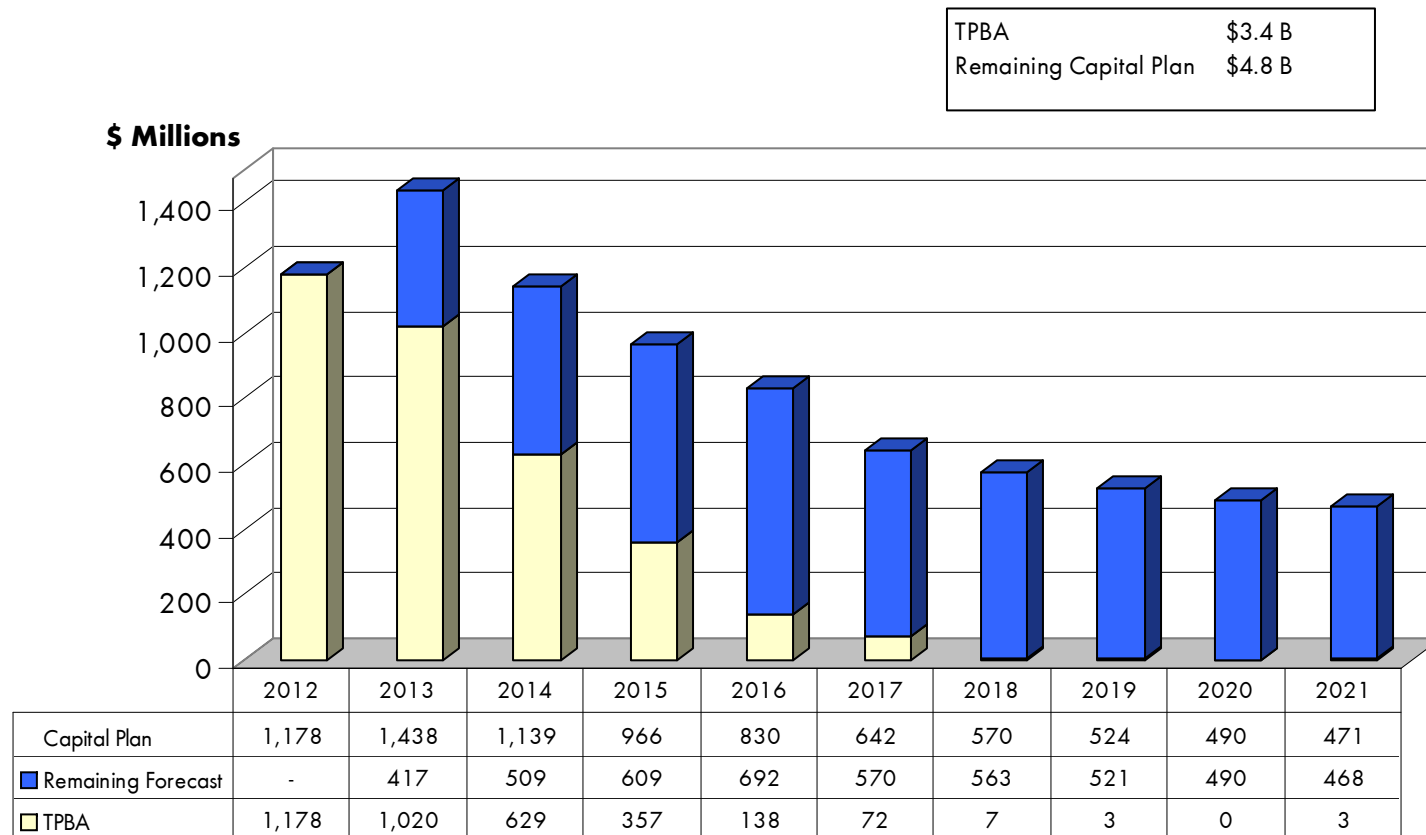
- ❑ In June 2011 the province amended the Annual Repayment Limit regulation under the *Municipal Act* to allow York Region to include 80% of its average development charge collections over the last three years in its ARL calculation
- ❑ The new regulation requires two main things of the Region:
 - ❑ A Long-Term Debt & Financial Obligations Management Plan must be adopted or affirmed by Council as part of each annual budget
 - ❑ The Region must maintain a high credit rating

New ARL Regulation Has Implications For Capital Budgeting

- ❑ The ten-year capital plan has two components:
 - (1) Total Project Budget Authority, and
 - (2) Planned Projects
- ❑ TPBA will be granted based on contractual and other clear or certain commitments to capital projects
- ❑ The debt-financed portion of Total Project Budget Authority will be considered a debt commitment for the purposes of the ARL
- ❑ A revised set of TPBA projects has been included in the 2012 Budget, which replaces all previous TPBAs

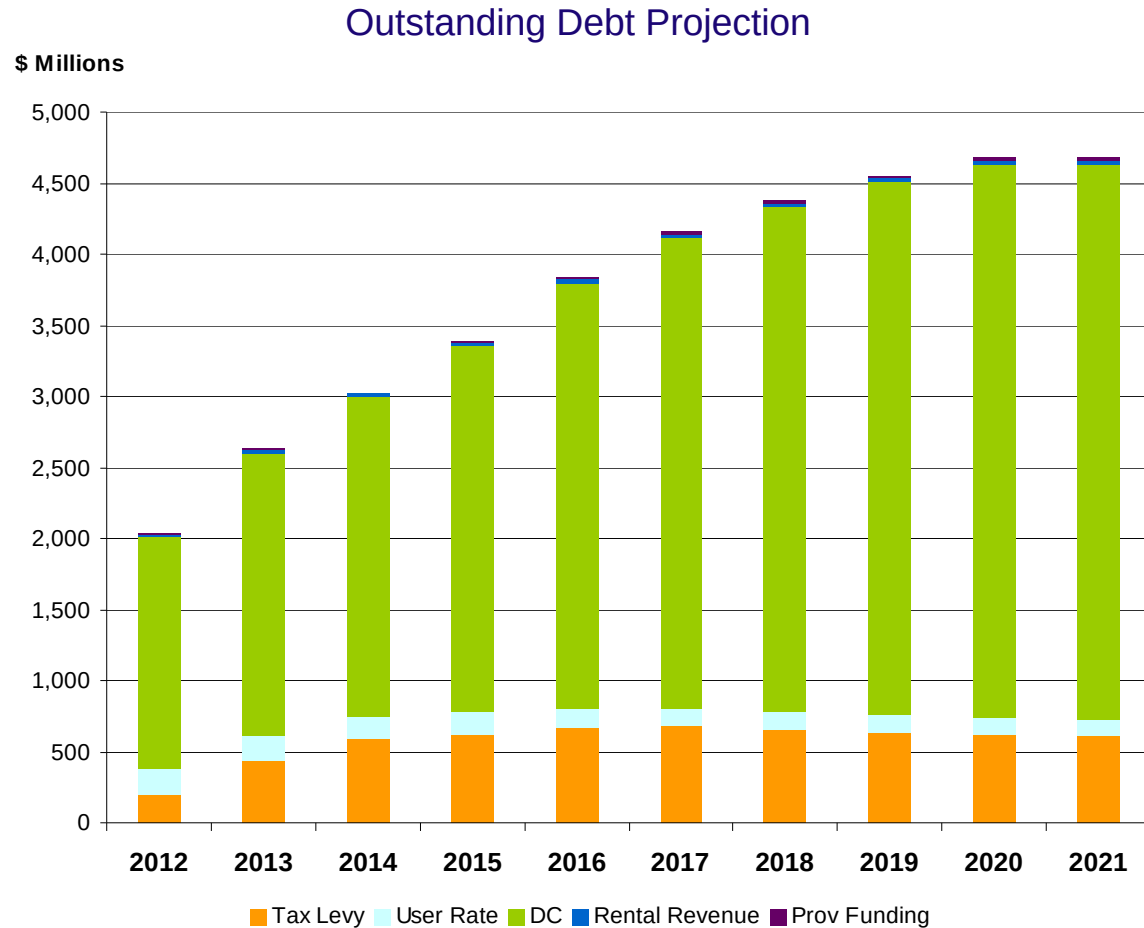
Total Project Budget Authority debt requirements are compliant with the new regulation

Total Project Budget Authority is \$3.4 Billion



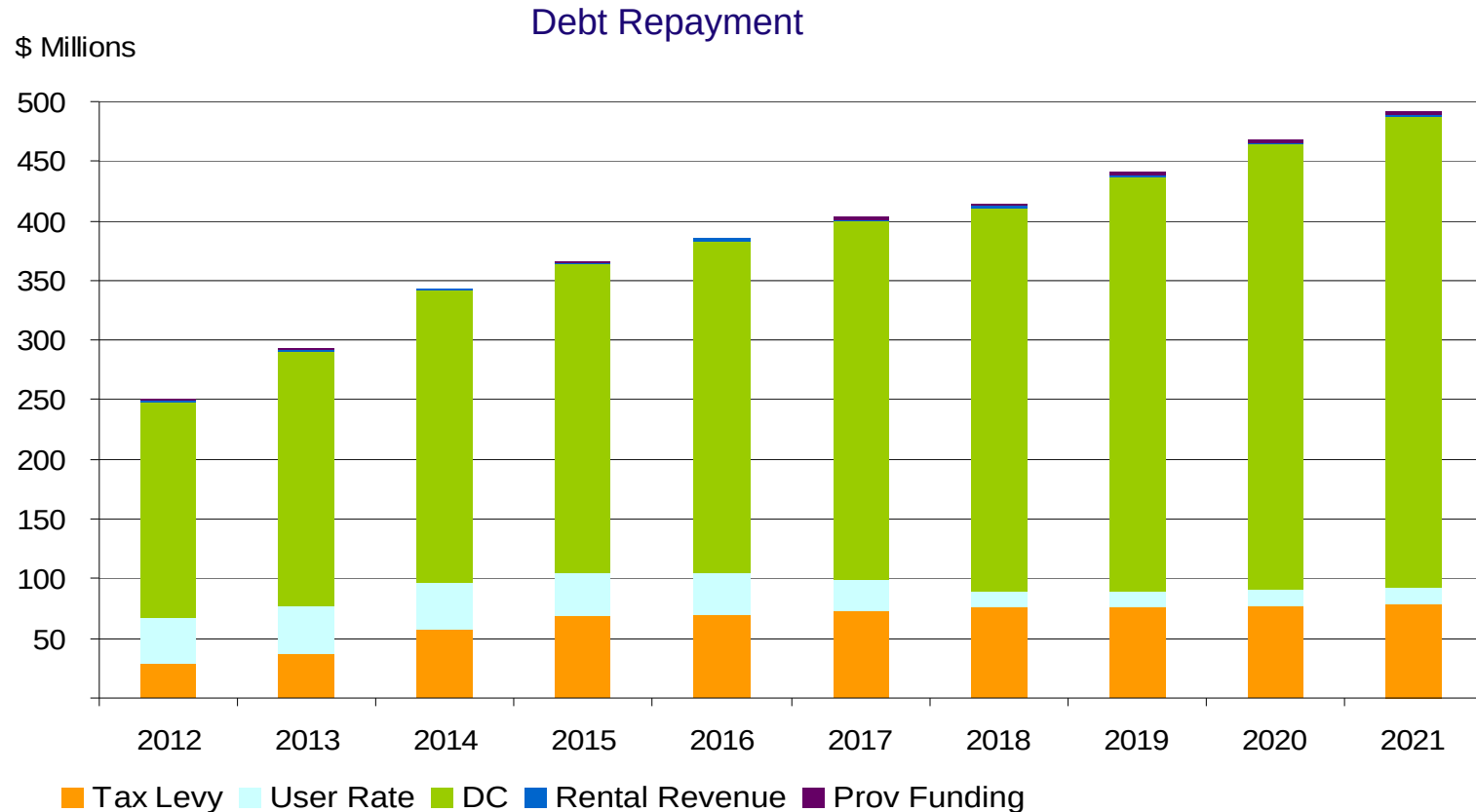
Total Project Budget Authority accounts for 41% of the ten year Capital Plan

Debt Will Rise to Support New Infrastructure and Growth



Total debt is currently \$1.8 billion

Debt Repayment is also Forecast to Increase



Development charges are expected to repay growth-related debt

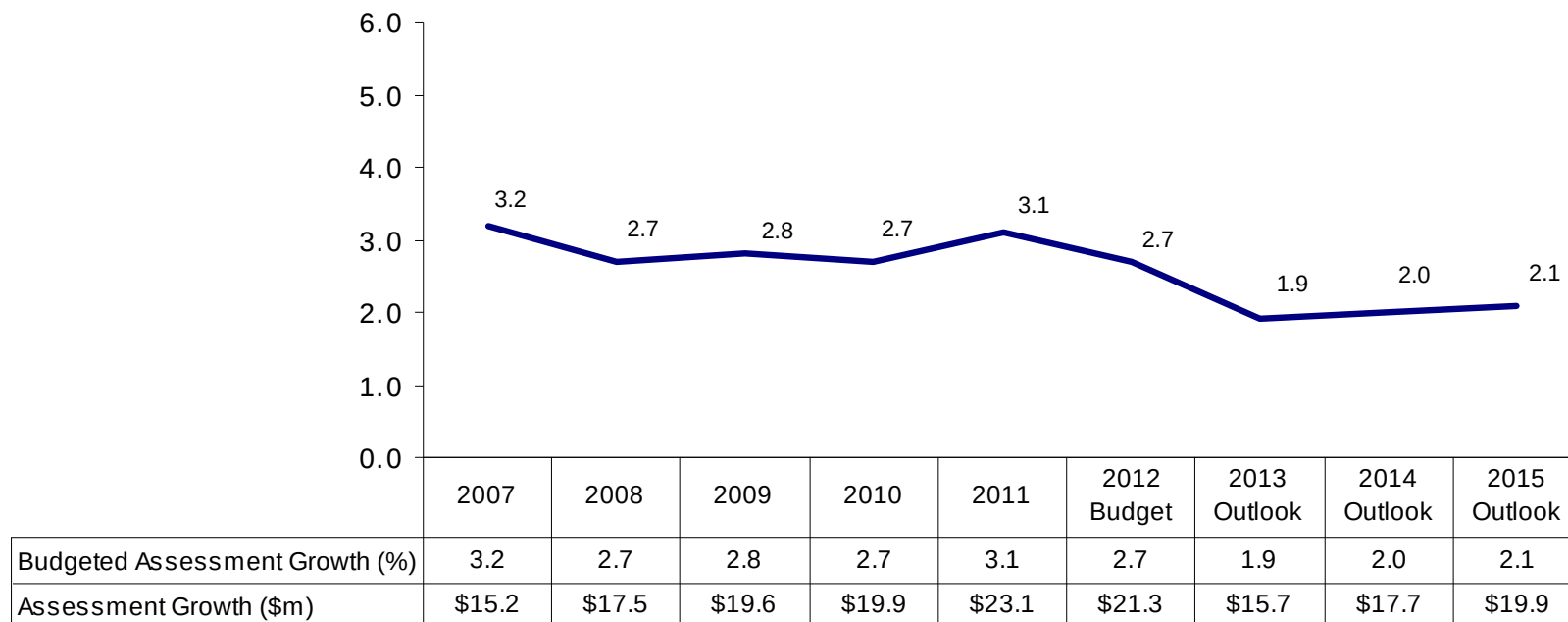
Multi-Year Fiscal Planning

Key Elements Of Fiscal Strategy

- ❑ Cautious and prudent revenue forecasting
- ❑ Creation of a Fiscal Stabilization Reserve
- ❑ Approved water and wastewater rate increases to address reserve deficits
- ❑ Careful management of expenditure pressures and risks
- ❑ Continued building of reserves to preserve the Region's high credit rating, manage future pressures and save for capital replacement
- ❑ Improvements to the capital budgeting process to ensure that debt is managed in compliance with the Annual Repayment Limit regulations

Fiscal planning process will ensure budget decisions are consistent with the Region's long-term sustainability

Assessment Growth Forecast To Moderate



Taxable assessment is an indicator of fiscal capacity to support programs and services delivered to Regional residents

GTA Pooling Upload Coming To An End

- ❑ For the past five years, the Region has benefitted from the uploading of GTA pooling costs
- ❑ This upload has removed \$13.2 Million from the tax levy each year
- ❑ The additional resources available as a result of the GTA Pooling upload have supported a variety of initiatives:
 - ❑ Increased contributions to the Capital Asset Replacement Reserve
 - ❑ Contributions to debt reduction of tax-levy supported debt
 - ❑ Implementation of several C&HS Multi-Year Plan initiatives
 - ❑ Investment in housing
- ❑ The upload will be completed at the end of 2013

Incremental Net Tax Levy Savings Due To Provincial Uploads

\$ Millions

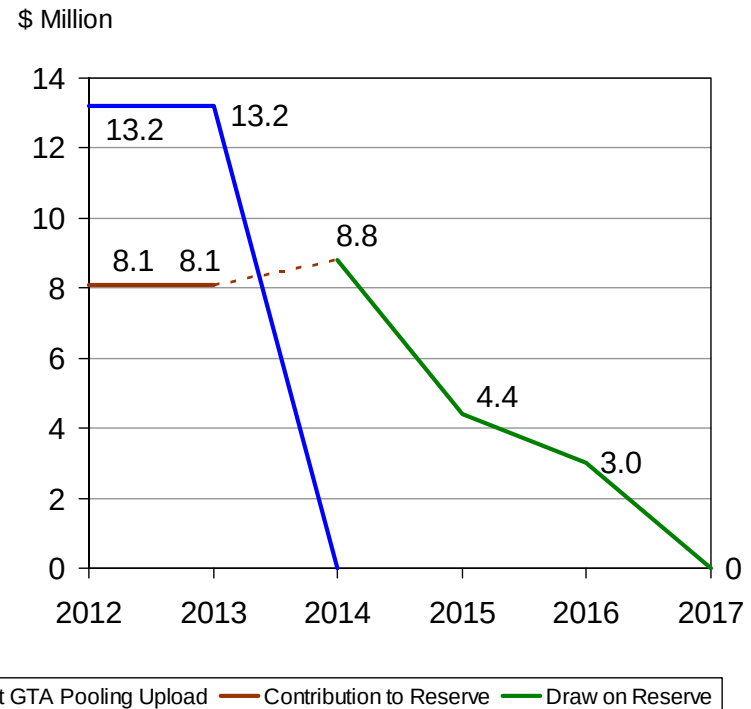
Source	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
GTA Pooling	5.6	13.2	13.2	13.2	13.2	13.2	13.2	0	0	0	0	0	84.8
ODSP		1.3	2.9	6.7	11.4	0	0	0	0	0	0	0	22.3
Ontario Works*			0	0.3	0.3	0.9	1.7	1.6	1.7	1.7	1.9	1.8	11.9
Court Security**			0	0	0	0.7	0.8	0.7	0.7	0.7	0.7	0.7	5.0
Totals	5.6	14.5	16.1	20.2	24.9	14.8	15.7	2.3	2.4	2.4	2.6	2.5	124.0

*Ontario Works estimates reflect 2011 budgeted caseloads, rates and cost per case

**No additional information at this time from the Province. It is therefore not included in the budget

Creation Of A Fiscal Stabilization Reserve

- ❑ To manage the transition to a post-GTA pooling environment, Finance is proposing the creation of a Fiscal Stabilization Reserve
- ❑ The Reserve would be funded through contributions in each of 2012 and 2013. It would then be drawn down in the 2014 to 2016 period, as determined by Council



With the end of the GTA pooling upload, spending growth will need to moderate after 2013 to maintain past levels of tax increases

Water And Wastewater Rates Already Approved

- ❑ Water and Wastewater rate recommendations presented in May 2011
- ❑ 10% annual increase approved for 2012-2015 (blended)
- ❑ Factors driving the rate increase include:
 - ❑ Increased cost of purchased water from Toronto and Peel
 - ❑ Need to build adequate reserves for capital asset replacement and rate stabilization
 - ❑ Contribution to the capital program
 - ❑ Decreased water consumption per capita

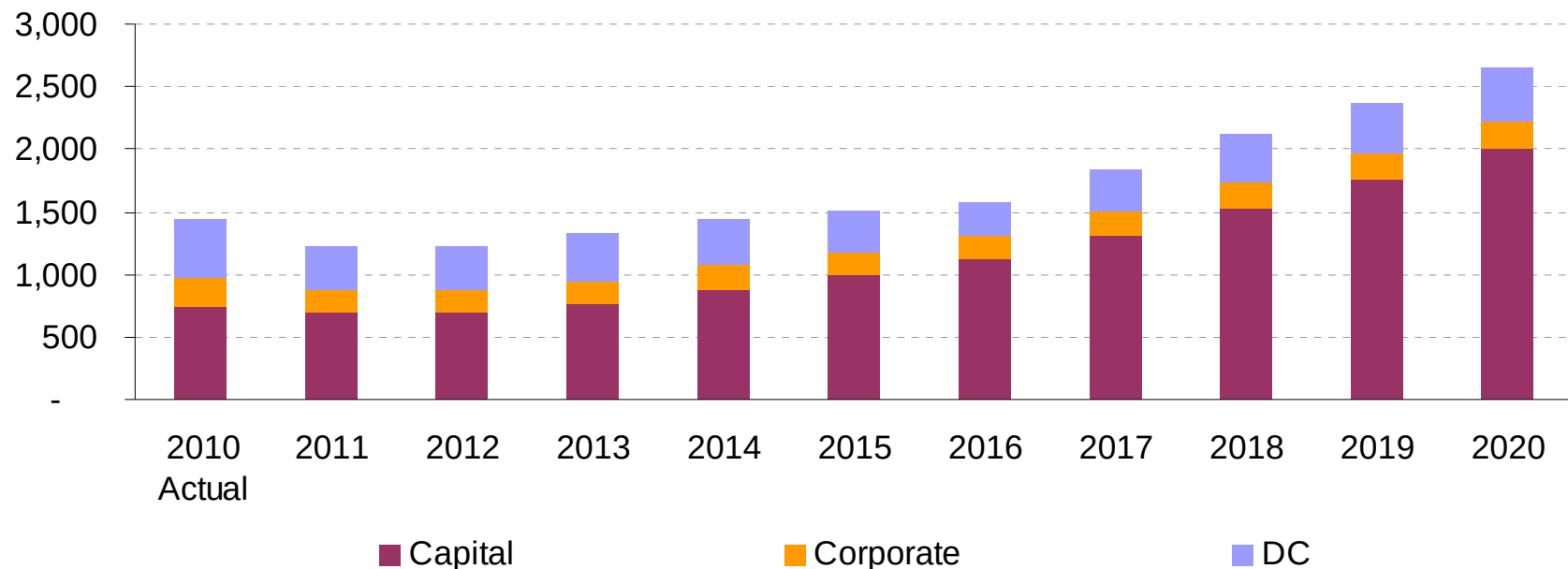
Significant Risks And Pressures Will Need To Be Carefully Managed

- ❑ New CUPE Collective Agreement from April 2013 to March 2016
- ❑ Contract price increases
- ❑ Fuel Prices
- ❑ Impact of Forestry Invasive Species
- ❑ Commodity markets for blue box materials
- ❑ Social Assistance caseload growth
- ❑ Operating impact of Rapid Transit initiatives
- ❑ More rigorous wastewater regulations
- ❑ Aging housing stock and housing affordability
- ❑ Provincial Commission on Social Assistance Review
- ❑ Interest rate risk
- ❑ Increasing service standards with increased urbanization

Fiscal discipline will be needed to ensure that Council's policy priorities are met

High And Growing Reserve Balances Support The Credit Rating

\$ Millions



York Region has healthy reserve balances

Strategy For Building Reserves

- ❑ Contributions for debt reduction, capital asset replacement, and non profit housing are embedded in the operating budget
- ❑ Operating surpluses also help build reserves, in accordance with Council's surplus policy
- ❑ Water and wastewater rate increase helps build reserves for asset replacement and rate stabilization
- ❑ Fiscal Stabilization Reserve eases transition as provincial uploads decrease

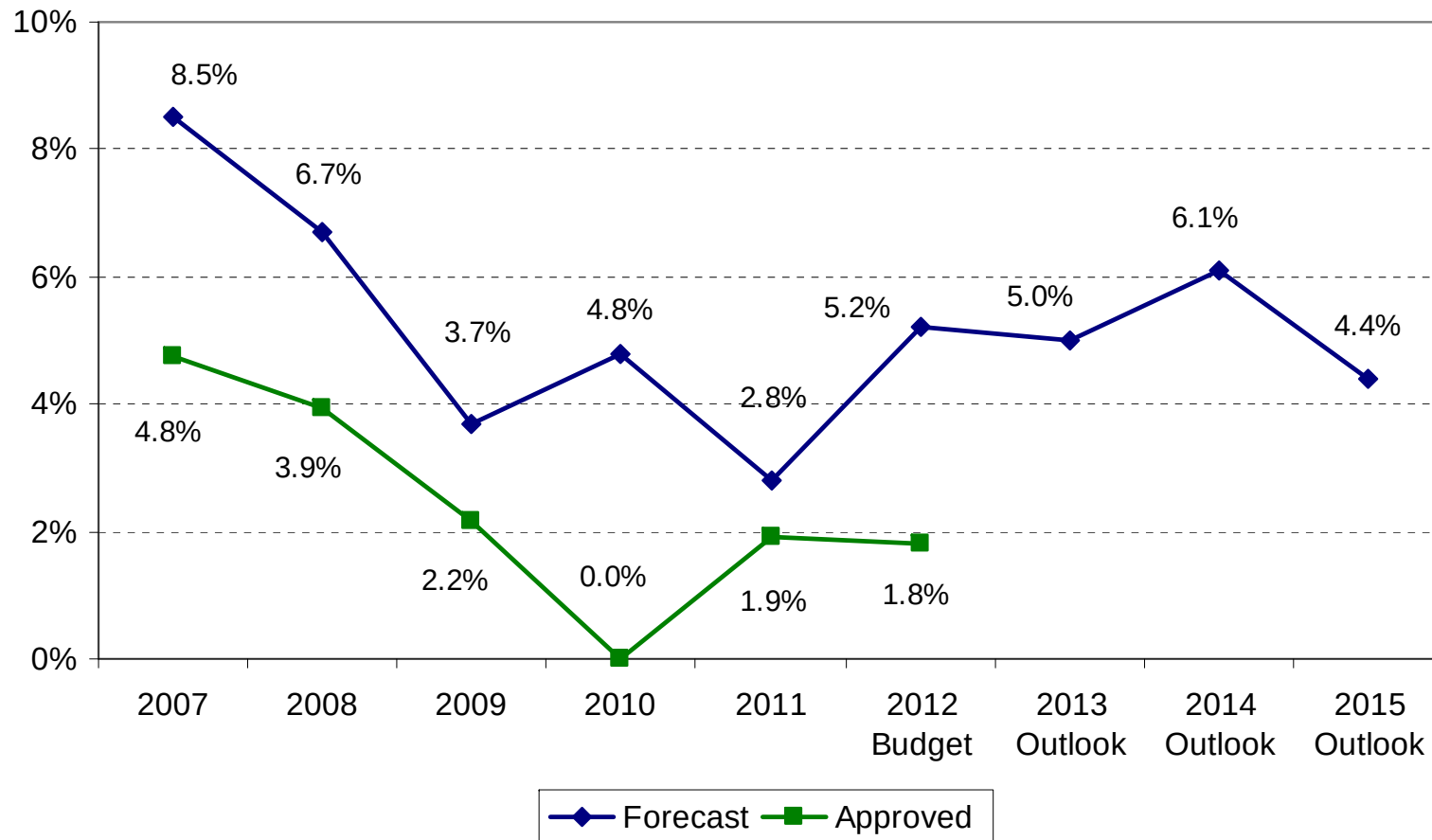
Tax Levy Contribution For Capital Supports

Long-Term Fiscal Strategy

	2011 (\$ Millions)	2012	Change
Capital Asset Replacement	30.1	38.0	7.9
Debt Reduction	11.8	11.8	-
Solid Waste Reserve	6.8	6.9	0.1
Non-Profit Housing Repair Reserve	3.8	4.8	1.0
Direct Contribution to Capital	52.2	55.2	3.0
Capital Program Debenture Repayment <i>(tax supported only)</i>	37.5	29.1	(8.4)
Total	142.2	145.8	3.6

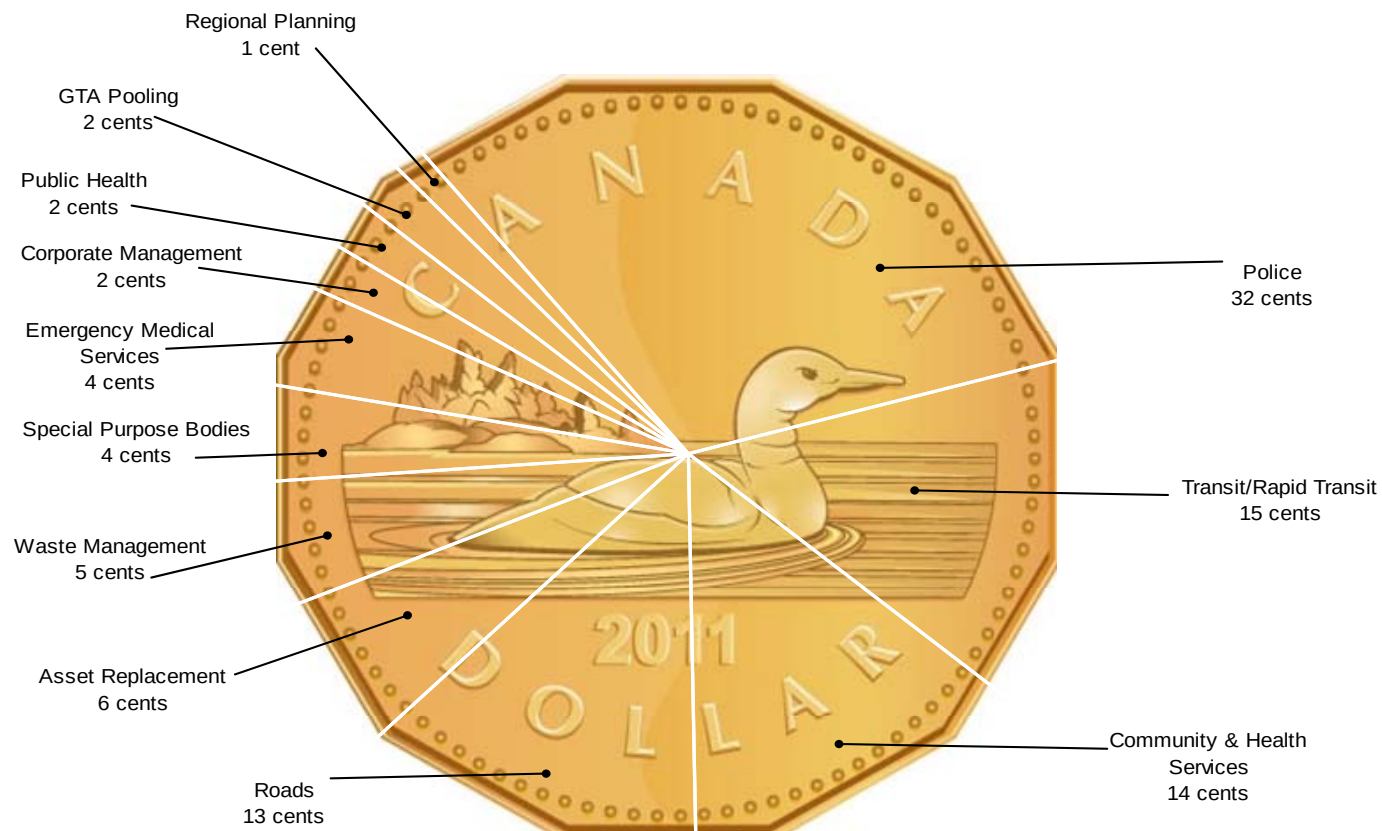
Contributions to capital program account for 18% of 2012 net expenditures

Comparison of Approved Budget with Prior Year's Forecast



Actual tax levy increases are consistently below the prior year's forecast

Share Of Regional Tax Dollar



74 cents of each tax dollar is allocated to Police, Transit, Community & Health Services and Roads

Impact On The Homeowner

For a York Region residential property assessed at \$450,000, a 1.8% tax levy increase in 2011 is equivalent to \$38

Budget Review and Approval

2012 Budget – Council/Committee Review Process

